

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A HEARING TO
DETERMINE THE FAIR VALUE OF THE
UTILITY PROPERTY OF THE COMPANY
FOR RATEMAKING PURPOSES, TO FIX
A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

DOCKET NO. E-01345A-19-0236


**WALMART INC.'S
NOTICE OF FILING
SURREBUTTAL TESTIMONY
OF STEVE W. CHRISS
(COST OF SERVICE AND
RATE DESIGN)**

Walmart Inc. hereby provides notice of the filing of Steve W. Chriss' Surrebuttal
Testimony in Support of Cost of Service and Rate Design.

RESPECTFULLY SUBMITTED this 4th day of December, 2020.

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By


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12 Phoenix, AZ 85007

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16 persons identified on the attached service
17 list consisting of three (3) pages

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**BEFORE THE
ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

ROBERT BURNS, Chairman

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JUSTIN OLSEN

LEA MÁRQUEZ PETERSON

**IN THE MATTER OF THE APPLICATION)
OF ARIZONA PUBLIC SERVICE COMPANY)
FOR A HEARING TO DETERMINE THE)
FAIR VALUE OF RATEMAKING PURPOSES,) DOCKET NO. E-01345A-19-0236
TO FIX A JUST AND REASONABLE RATE)
OF RETURN THEREON AND TO APPROVE)
RATE SCHEDULES DESIGNED TO)
DEVELOP SUCH RETURN)**

SURREBUTTAL TESTIMONY AND EXHIBITS OF

STEVE W. CHRISS

ON BEHALF OF

WALMART INC.

(COST OF SERVICE AND RATE DESIGN)

DECEMBER 4, 2020

Contents

I. Introduction.....	1
II. Purpose of Testimony and Summary of Recommendations.....	1
III. Revenue Allocation.....	4
Table 1. Customer Class Rate of Return Index and Revenue Requirement Surplus or Shortfall, Current Rates, APS Proposed Cost of Service Study Results.....	4

I. Introduction

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Steve W. Chriss. My business address is 2608 SE J St., Bentonville, AR 72716. I am employed by Walmart Inc. ("Walmart") as Director, Energy Services.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

A. I am testifying on behalf of Walmart.

Q. ARE YOU THE SAME STEVE W. CHRISS WHO TESTIFIED EARLIER IN THIS DOCKET?

A. Yes.

II. Purpose of Testimony and Summary of Recommendations

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to the cost of service and rate design portion of APS's rate case filing and to provide recommendations to assist the Commission in its thorough and careful consideration of the customer impact of the Company's proposed rate increase.

Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION FROM YOUR DIRECT TESTIMONY.

A. Walmart's recommendations to the Commission are as follows:

- 1) For the purposes of this docket, at the proposed revenue requirement, Walmart does not oppose the Company's proposed revenue allocation. However, recognizing the likelihood that the Commission will ultimately approve a revenue requirement less than that proposed by the Company, the reduction in the revenue requirement

1 increase should be used for the dual purposes of: (1) further reducing the currently
2 existing class subsidies by apportioning a portion of the reduction only to
3 subsidizing rate classes; and (2) reducing the impact to all customers by
4 apportioning the remainder to all rate classes.¹

5 2) The Commission should reject AG-Y as proposed by the Company and instead
6 direct the Company to work with interested stakeholders to expand AG-X in a
7 manner that meets the Commission's goals of expanded energy cost management
8 opportunities for commercial customers while minimizing impacts to other
9 customers.

10 **Q. HAVE YOU REVIEWED THE NOVEMBER 17, 2020 LETTER FROM**
11 **COMMISSIONER LEA MÁRQUEZ PETERSON TO PARTIES?**

12 A. Yes.

13 **Q. DO WALMART'S RECOMMENDATIONS ALIGN WITH SOME OF THE**
14 **AREAS OF EXPLORATION DELINEATED IN THE LETTER?**

15 A. Yes. First, Commissioner Márquez Peterson states that parties should explore
16 "eliminating or phasing-out protracted subsidies and surcharges." Walmart's first
17 recommendation seeks to do just that while utilizing a reduction in revenue requirement
18 from that proposed by the Company to also ensure that all customers see relief from
19 the Company's proposed rates. As I discuss below, APS has misrepresented Walmart's
20 recommendation in its rebuttal testimony and it is important to be clear that Walmart

¹ Walmart notes that intervenor Kroger Co. filed the cost of service and rate design testimony of Stephen J. Baron on August 10, 2020, and on page 7 therein proposes a two-step allocation process for reductions in revenue requirement from that proposed by the Company. Walmart believes that this proposal is reasonable.

1 seeks to reduce the protracted subsidies built into APS's rates as well as ensure that all
2 customers see a reduction in bill impacts from those proposed by APS.

3 **Q. WHAT IS THE SECOND AREA OF ALIGNMENT?**

4 A. Commissioner Márquez Peterson states that parties should explore new and innovative
5 rate designs. Walmart's recommendation to direct the Company to work with
6 interested stakeholders to expand AG-X aligns with this exploration.

7 **Q. DOES WALMART HAVE ANY ADDITIONAL COMMENTS ON THE AREAS**
8 **OF EXPLORATION IN THE LETTER?**

9 A. Walmart appreciates and echoes Commissioner Márquez Peterson's concerns about the
10 cost of electricity in APS's territory. It is important to have conversations and process
11 around the areas of exploration delineated in the letter; however, with the exception of
12 areas that touch directly on topics already addressed in previous rounds of testimonies,
13 additional process would be needed to fully explore the breadth of issues presented,
14 with findings proposed to be implemented in the Company's next rate case. Walmart
15 does not oppose the Commission creating a stakeholder process to enable these
16 explorations.

17 **Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR**
18 **POSITION ADVOCATED BY THE COMPANY INDICATE WALMART'S**
19 **SUPPORT?**

20 A. No. The fact that an issue is not addressed herein or in related filings should not be
21 construed as an endorsement of, agreement with, or consent to any filed position.
22

III. Revenue Allocation

Q. DOES APS PROVIDE TESTIMONY WITH THE PURPOSE OF RESPONDING TO WALMART'S REVENUE ALLOCATION PROPOSAL?

A. Yes, however APS's testimony incorrectly represents Walmart's position and should be disregarded by the Commission in its determination of the revenue allocation to be approved in this docket.

Q. PLEASE EXPLAIN.

A. APS witness Hobbick claims that Walmart recommends a revenue allocation represented in Table 1 below²:

Table 1. Customer Class Rate of Return Index and Revenue Requirement Surplus or Shortfall, Current Rates, APS Proposed Cost of Service Study Results.

Customer Class	RRI, Current	Revenue Requirement Surplus / (Shortfall)
Residential	0.70	(\$197,541,959)
General Service	1.86	\$198,320,906
<i>E-32M</i>	<i>1.92</i>	<i>\$50,169,710</i>
<i>E-32L</i>	<i>1.51</i>	<i>\$20,088,377</i>
Irrigation and Water Pumping	0.92	(\$596,255)
Street Lighting	0.87	(\$1,778,180)
Dusk to Dawn	1.64	1,595,489
Jurisdiction	1.00	

Source: Exhibit SWC-2

Q. WHAT INFORMATION IS SHOWN IN THIS TABLE?

A. This table shows the relative rates of return and revenue requirement surpluses and shortfalls for APS's major customer groups, and specifically for E-32M and E-32L. These values are from APS's cost of service study results.

² In my direct testimony this is Table 2.

1 **Q. DOES THIS TABLE REPRESENT WALMART'S PROPOSED REVENUE**
2 **ALLOCATION?**

3 A. No.

4 **Q. WHAT IS WALMART'S REVENUE ALLOCATION RECOMMENDATION**
5 **TO THE COMMISSION AT THE COMPANY'S PROPOSED REVENUE**
6 **REQUIREMENT?**

7 A. For the purposes of this docket, at the proposed revenue requirement, Walmart does
8 not oppose the Company's proposed revenue allocation. However, recognizing the
9 likelihood that the Commission will ultimately approve a revenue requirement less than
10 that proposed by the Company, the reduction in the revenue requirement increase
11 should be used for the dual purposes of: (1) further reducing the currently existing class
12 subsidies by apportioning a portion of the reduction only to subsidizing rate classes;
13 and (2) reducing the impact to all customers by apportioning the remainder to all rate
14 classes.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.